



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Develop an  
Electricity Integrated Resource Planning  
Framework and to Coordinate and Refine Long-  
Term Procurement Planning Requirements.

Rulemaking 16-02-007

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY**  
**(U 338-E) ON REVISED PROPOSED DECISION REQUIRING ELECTRIC SYSTEM**  
**RELIABILITY PROCUREMENT FOR 2021-2023**

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Dated: **October 31, 2019**

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(U 338-E) ON REVISED PROPOSED DECISION REQUIRING ELECTRIC SYSTEM  
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Pursuant to Rules 14.3 and 14.6 of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure, Southern California Edison Company (“SCE”) respectfully submits its comments on the *Revised Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023*, dated October 21, 2019 (“RPD”).

**I.**

**INTRODUCTION**

SCE strongly supports most aspects of the RPD. SCE agrees that the Commission should act now to address the potential for system resource adequacy (“RA”) shortages in 2021 and beyond and keep California’s electric sector on a path to achieving the state’s greenhouse gas emissions reduction goals while maintaining safe, reliable, and affordable electric service. In particular, given the RPD’s decision to reduce the capacity and time period of the recommended once-through cooling (“OTC”) compliance deadline extensions, the RPD appropriately increases the required procurement of incremental system RA capacity to 4,000 MW. Additionally, the RPD correctly recognizes that this 4,000 MW incremental system RA capacity need is a **system** reliability and renewable integration need, and thus procurement responsibility should be shared by all load-serving entities (“LSEs”). SCE also supports other revisions in the RPD, including the requirement that Commission staff post the final baseline list to the Commission’s website by no later than December 1, 2019, the clarification that imports are included in the baseline at the maximum import capability (“MIC”) level, and the

prohibitions on counting new, greenfield fossil-fueled resources and contracts with OTC units with extended compliance deadlines towards LSEs' incremental system RA capacity procurement requirements. The Commission should adopt these aspects of the RPD.

In these comments, SCE requests the following modifications and clarifications to the RPD:

- The Commission should modify and clarify the process for investor-owned utility ("IOU") backstop procurement. Specifically, backstop procurement for LSEs who elect not to self-provide should be treated differently than backstop procurement for LSEs who fail to perform. The Commission should also clarify if both community choice aggregators ("CCAs") and electric service providers ("ESPs") can elect not to self-provide, or if that option is limited to CCAs. Additionally, the Commission should establish a process to resolve cost allocation issues with respect to LSEs who elect not to self-provide and develop a separate backstop procurement and enforcement process for LSEs who fail to perform. The Commission should set a January 10, 2020 deadline for LSEs to notify the Commission and the IOUs that they have elected not to self-provide, in order to enhance the likelihood that the IOUs can procure viable resources to meet the RPD's required online dates and avoid excessive costs to IOU bundled service customers and other LSEs' customers.
- SCE supports the RPD's waiver of the provisions of Decision ("D.") 12-04-046 that bar IOUs from signing power purchase agreements with OTC units where the term of the agreement extends beyond the compliance deadlines, even if the deadlines are later extended. However, the Commission should modify the approval process for IOUs' contracts with OTC units with extended compliance deadlines so that such contracts need not be submitted for approval with the IOUs' contracts to meet the incremental system RA capacity procurement requirements. The Commission should also allow contracts with such OTC units to be approved via the IOUs' Assembly Bill 57 Bundled Procurement Plan authority to the extent all other requirements are met.
- The Commission should modify the RPD's required online date schedule for LSEs' incremental system RA capacity procurement so that 50% of that procurement must be online by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. Moreover, the Commission should consider an interim mechanism where projects

that have not yet qualified for RA counting can still provide reliability benefits to meet the RPD's required online dates.

- The Commission should expedite a decision on a RA counting methodology for in-front-of-the-meter ("IFOM") hybrid resources in the RA proceeding.
- The Commission should clarify that projects outside of the California Independent System Operator ("CAISO") such as the Sutter Power Plant are incremental for the purposes of LSEs' incremental system RA capacity procurement requirements and not considered an import.

## II.

### **THE RPD APPROPRIATELY REQUIRES ALL LSES TO PROCURE 4,000 MW OF SYSTEM RA CAPACITY TO MEET SYSTEM RELIABILITY AND RENEWABLE INTEGRATION NEEDS**

"[C]onsistent with the Commission's responsibility to ensure that customers have safe and reliable electric service," the RPD continues to require incremental system RA procurement to come online between August 2021 and 2023 as a "least regrets" strategy to address the potential for a system RA shortfall as early as summer 2021 and to meet renewable integration needs.<sup>1</sup> Because the original proposed decision "sought OTC compliance deadline extensions for a larger amount of capacity, and this amount has now been reduced considerably and scaled down over time," the RPD increases the incremental system RA capacity procurement to 4,000 MW.<sup>2</sup> SCE supports the RPD's increased procurement requirement. The 4,000 MW capacity need is generally consistent with analyses submitted by SCE and the CAISO showing that more than 2,500 MW is likely to be needed to meet system RA or operational needs in 2021 and beyond.<sup>3</sup>

The RPD reiterates that "to avoid any future confusion as reflected in the comments of some parties, our decision here is entirely about resources needed for *system* reliability, which

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<sup>1</sup> RPD at 13-15, Ordering Paragraph 3.

<sup>2</sup> *Id.* at 33.

<sup>3</sup> See *Southern California Edison Company's (U 338-E) Amended Opening Comments on Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues*, R.16-02-007, July 31, 2019; *Reply Comments of the California Independent System Operator Corporation*, R.16-02-007, August 12, 2019.

means resources that qualify to meet **system** resource adequacy requirements.”<sup>4</sup> The RPD also states that the additional system RA resources are necessary for renewable integration purposes, “to ensure integration of large volumes of renewable energy being procured by LSEs.”<sup>5</sup>

Although the original proposed decision allocated the system reliability and renewable integration procurement requirement only to LSEs in SCE’s Transmission Access Charge (“TAC”) area, the RPD notes that many parties pointed out that “if the need identified is at the system level, it should be able to be met by LSE[s] and/or resources located anywhere on the CAISO system”; thus, “we are persuaded that the procurement responsibility should be shared by all LSEs, and not just those in the SCE TAC area.”<sup>6</sup>

The RPD properly allocates the 4,000 MW incremental system RA capacity procurement requirement to all LSEs. As SCE discussed in its comments on the original proposed decision, the factors contributing to the **system-wide** reliability and renewable integration need – required statewide OTC unit retirements, decreases in effective load carrying capacity values of renewable resources, the retirement of non-OTC gas-fired generation, the shifting system peak, potential over-reliance on imports, and the need to integrate large volumes of renewable resources – are all statewide issues that are not specific to the SCE TAC area.<sup>7</sup> It would be fundamentally unfair and contrary to the Commission’s statutory obligations to ensure equitable cost allocation and prevent cost shifting among LSE customers to put the entire responsibility for meeting **system** reliability and renewable integration needs on SCE TAC-area customers.<sup>8</sup> The RPD correctly recognizes that “the procurement identified herein as necessary is for **system** resource adequacy, and it is for incremental resources beyond those already present in the CAISO system. Therefore, there is collective responsibility among all of the LSEs to develop these additional incremental resources.”<sup>9</sup> SCE strongly urges the Commission to adopt the RPD’s allocation of 4,000 MW of incremental system RA capacity procurement to all LSEs.

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<sup>4</sup> RPD at 13 (emphasis added).

<sup>5</sup> *Id.* at 29, Finding of Fact 6.

<sup>6</sup> *Id.* at 38.

<sup>7</sup> *See Opening Comments of Southern California Edison Company (U 338-E) on Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023*, R.16-02-007, at 3-7.

<sup>8</sup> *See id.*

<sup>9</sup> RPD at 37-38 (emphasis added).

### III.

#### **THE COMMISSION SHOULD MODIFY AND CLARIFY THE PROCESS FOR IOU BACKSTOP PROCUREMENT**

The RPD clarifies that the Commission will utilize its authority under Public Utilities Code Section 454.51(c) “to require IOU procurement on behalf of non-performing LSEs, or those that elect not to self-provide renewable integration resources, with associated non-bypassable cost allocation to that LSE’s customers for that procurement, should it become necessary.”<sup>10</sup> SCE does not object to conducting procurement on behalf of LSEs in its service territory who elect not to self-provide or fail to perform, provided there are appropriate rules for such procurement and that costs are allocated on a nonbypassable basis to those LSEs’ customers in a way that ensures there is no cost shifting to SCE’s bundled service customers.

As discussed below, however, backstop procurement for LSEs who elect not to self-provide should be treated differently than backstop procurement for LSEs who fail to perform. The consequences for failing to perform have a greater detrimental impact on system reliability than LSEs who provide advance notice that they are electing not to self-provide. Moreover, the Commission should clarify if both CCAs and ESPs can elect not to self-provide, or if that option is limited to CCAs. The Commission should also establish a process to resolve cost allocation issues with respect to LSEs who elect not to self-provide and develop a separate backstop procurement and enforcement process for LSEs who fail to perform. Lastly, the Commission should set an earlier date for LSEs to notify the Commission and the IOUs that they have elected not to self-provide, in order to enhance the likelihood that the IOUs can procure viable resources to meet the RPD’s required online dates and avoid excessive costs to IOU bundled service customers and other LSEs’ customers.

**A. The Commission Should Clarify if ESPs Have the Option Not to Self-Provide the Required Procurement, Establish a Process to Resolve Cost Allocation Issues, and Set an Earlier Date for LSEs to Decide Whether They Are Self-Providing**

Pages 36-37 of the RPD refer to requiring IOU procurement “on behalf of non-performing LSEs, or those that elect not to self-provide renewable integration resources, with

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<sup>10</sup> *Id.* at 36-37.

associated non-bypassable cost allocation to that LSE's customers for that procurement, should it become necessary." The reference to "LSEs" suggests that both CCAs and ESPs may have the election not to self-provide the procurement required by the RPD. However, Ordering Paragraph 5 only references CCAs making the election whether or not to self-provide and the IOUs conducting backstop procurement for CCAs. Additionally, both page 37 and Ordering Paragraph 5 of the RPD only set a deadline for CCAs to notify the Commission whether or not they will self-provide. The Commission should clarify if ESPs can elect not to self-provide the procurement required by the RPD. If ESPs have this option, the Commission should modify the RPD to include ESPs in the relevant Ordering Paragraphs and establish a date when ESPs must notify the Commission and the IOUs that they elect not to self-provide.<sup>11</sup>

SCE agrees with the RPD that IOU backstop procurement on behalf of specific LSEs would require "further development and differentiation of the cost allocation mechanism by the Commission, since the current mechanism is implemented through distribution rates and applies to all customers, whereas the new mechanism would need to be applied to the amount of new reliability or renewable integration resources that they were responsible for but did not procure."<sup>12</sup> SCE suggests the Commission initiate a stakeholder process to develop such a cost allocation mechanism, including workshops where parties can submit cost allocation proposals.

Furthermore, in the final decision, the Commission should adopt two cost allocation principles with respect to procurement for LSEs who elect not to self-provide. First, LSEs should be required to elect whether or not to self-provide their entire procurement requirement, and should not have the option to elect to self-provide only a portion of their procurement requirement. Developing a cost allocation mechanism and billing process that allocates backstop procurement costs only to certain LSE customers will already be difficult and complicated enough without the additional complexity of giving LSEs the option to partially self-provide. While it may become necessary to address cost allocation for LSEs who elect to self-provide their entire procurement requirement but only partially perform, it is reasonable and fair to all parties to require an LSE to make an upfront election whether or not to self-provide its entire procurement requirement. Requiring self-provision of the entire procurement requirement is

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<sup>11</sup> Appendix A includes SCE's proposed modifications to the relevant Ordering Paragraphs if ESPs are provided this option.

<sup>12</sup> RPD at 37.



fully consistent with Public Utilities Code Section 454.51(d), which “[p]ermit[s] community choice aggregators to submit proposals for satisfying *their portion of the renewable integration need identified in subdivision (a)*.”<sup>13</sup> Section 454.51(d) permits CCAs to satisfy their portion of the need, but does not give CCAs the option to elect to self-provide only a subset of their portion of the need.

Second, for LSEs who elect not to self-provide upfront, the relevant IOU’s procurement costs should be proportionally allocated on a portfolio basis to the IOU’s bundled service customers and the customers of any LSEs who elected to have the IOU procure on their behalf. This will ensure fair cost allocation to all customers and avoid contentious litigation over what resources and what costs from the IOU’s procurement should be allocated to which customers. As further addressed in Section III.B below, while this principle of proportional cost allocation is appropriate for LSEs who make the upfront decision not to self-provide their procurement requirements, it is not appropriate for LSEs who elect to self-provide and then fail to perform. Backstop procurement for LSEs who fail to perform will likely be less viable and costlier than an IOU’s initial procurement to meet the incremental system RA capacity procurement requirement. Thus, proportional allocation of the costs of such backstop procurement to IOU bundled service customers and the customers of LSEs who made an upfront election not to self-provide would result in impermissible cost shifting.

Finally, the Commission should move up the date for CCAs (and ESPs, if applicable) to notify the Commission and the IOUs that they have elected not to self-provide from May 1, 2020 to January 10, 2020. An online date of August 1, 2021 for incremental system RA resources is extremely aggressive. Based on the time needed to conduct a solicitation and for Commission approval of any contracts or utility investments, it is likely that developers will have less than one year to develop their projects. If a project requires a new interconnection, that alone could require several years depending on the extent of the interconnection work necessary. An online date of August 1, 2021 essentially limits the procurement activity to projects that happen to be in an advanced development state without an explicit offtake agreement, and it is unlikely this pool of resources adds up to thousands of MW of RA capacity. There also may be a large cost premium for projects to meet an August 2021 online date due to limited supply-side competition

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<sup>13</sup> Emphasis added.

and extensive demand-side competition. Even meeting August 2022 and August 2023 online dates could be challenging with many LSEs competing for the most viable and cost-effective resources that can meet those online dates.

To maximize the chances of bringing as much incremental RA capacity online as possible to meet peak needs in 2021, 2022, and 2023, SCE has already launched its 2019 System Reliability Request for Offers (“RFO”), contingent on a final decision authorizing procurement.<sup>14</sup> SCE’s 2019 System Reliability RFO includes a fast track for resources that can come online by August 2021 and a standard track for resources that can come online by August 2022 or August 2023. SCE currently anticipates executing contracts for the fast track in mid-January 2020 and executing contracts for the standard track in mid-March 2020. A January 10, 2020 date for LSEs to notify the Commission and the IOUs that they elect not to self-provide would give SCE sufficient time to include such backstop procurement in its current 2019 System Reliability RFO selection process. It will also increase the likelihood of SCE and the other IOUs being able to procure viable resources that can meet the RPD’s required online dates at the least cost for all customers.

If SCE is not informed that it needs to conduct backstop procurement for LSEs who elect not to self-provide until May 1, 2020, SCE will need to conduct such procurement through a separate selection process. That would result in a competitive disadvantage because by that time, other LSEs will already have procured the most viable and least cost resources. As such, it would be difficult, if not impossible, for the IOUs to procure viable resources that can come online by August 1, 2021, and even meeting an August 1, 2022 or August 1, 2022 online date may be difficult. This would make it more likely that any OTC units with extended compliance deadlines would be needed for longer periods. Any backstop procurement would also be at a higher cost for customers. Assuming a proportional allocation of all IOU procurement costs on a portfolio basis as discussed above, these higher costs would be imposed on both IOU bundled service customers and the customers of any LSEs who elect not to self-provide. That would be contrary to statutory prohibitions on cost shifting among LSE customers.<sup>15</sup>

A January 10, 2020 deadline to elect whether to self-provide would give CCAs (and ESPs, if applicable) two months after the anticipated final decision to make that election.

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<sup>14</sup> See <https://www.sce.com/procurement/solicitations/system-reliability-rfo>.

<sup>15</sup> See Cal. Pub. Util. Code §§ 365.2, 366.2, 366.3, 454.52(c).

This would provide such LSEs with a reasonable time period to make a decision without prejudicing bundled service customers or providing an opportunity for other LSEs to “window shop” by making their own procurement efforts and then default to IOU backstop procurement if they determine it would be less costly.

**B. There Should Be a Separate Backstop Procurement and Enforcement Process for LSEs Who Elect to Self-Provide But Fail to Perform**

The RPD also provides for IOU backstop procurement for LSEs who elect to self-provide but then fail to perform, with the cost of such procurement allocated on a nonbypassable basis to those LSEs’ customers.<sup>16</sup> The RPD states that the Commission recognizes that “by the time we determine noncompliance from any other LSEs that do not procure, time will be extremely short to procure and bring online the needed reliability resources, and this type of ‘just in time’ procurement is typically quite expensive.”<sup>17</sup> The RPD “hopes that such steps will not be necessary,” but if they are, the “Commission will take appropriate steps to ensure this outcome.”<sup>18</sup>

Because the consequences and costs to customers are different for an LSE who fails to perform than for an LSE who elects not to self-provide, the Commission should establish a separate backstop procurement and enforcement process for LSEs who fail to perform. Although LSEs should have until January 10, 2020 to elect not to self-provide, it will take longer to determine whether an LSE has failed to perform. SCE suggests the Commission require all LSEs who elect to self-provide to execute their contracts by no later than January 1, 2021 (the date by which the IOUs must file the Tier 3 advice letters submitting their contracts for approval). As provided in Appendix A, the Commission should also modify the relevant Ordering Paragraphs in the RPD to provide for a separate backstop procurement and enforcement process for LSEs who elect to self-provide but fail to perform, and clarify that such process applies to CCAs and ESPs.

Lastly, if necessary, the Commission should initiate a stakeholder process to establish a backstop procurement and enforcement process for LSEs who fail to perform. The principle that

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<sup>16</sup> See RPD at 36-37, Ordering Paragraph 5.

<sup>17</sup> *Id.* at 37.

<sup>18</sup> *Id.*

an IOU's procurement costs should be proportionally allocated on a portfolio basis to the IOU's bundled service customers and the customers of any LSEs that have made the upfront election to have the IOU procure on their behalf should not apply to LSEs that fail to perform. As the RPD recognizes, that type of "just in time" backstop procurement is quite expensive, and the costs of such procurement should not be shared by IOU bundled service customers or the customers of LSEs who made an upfront election not to self-provide. Indeed, Public Utilities Code Section 454.51(e) requires the Commission to "[e]nsure that all costs resulting from nonperformance to satisfy the need in subdivision (a) or (d), as applicable, shall be borne by the electrical corporation or community choice aggregator that failed to perform." That same principle should apply if an ESP fails to perform.

#### IV.

#### **THE COMMISSION SHOULD MODIFY THE APPROVAL PROCESS FOR IOU CONTRACTS WITH OTC UNITS WITH EXTENDED COMPLIANCE DEADLINES**

For the power plants where the RPD is recommending OTC compliance deadline extensions, the RPD waives the provisions of D.12-04-046 that bar IOUs from signing power purchase agreements with OTC units where the term of the agreement extends beyond the compliance deadlines, even if the deadlines are later extended.<sup>19</sup> Any power purchase agreements with such OTC units shall be for a duration of no more than the time period of the recommended OTC compliance deadline extension, and do not count towards the incremental system RA capacity procurement requirements set forth in the RPD.<sup>20</sup> Additionally, any IOU contracts with the OTC units addressed in the RPD "must be submitted for approval along with the other contracts required by this decision."<sup>21</sup>

While SCE supports the RPD's waiver of the provisions of D.12-04-046 to allow the IOUs to contract with the OTC units covered by the RPD's recommended compliance deadline extensions, the requirement that the IOUs submit any such contracts in the same Tier 3 advice letters as the contracts to meet their incremental system RA capacity procurement requirements is likely to prevent the IOUs from being able to meaningfully exercise this contracting option.

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<sup>19</sup> See *id.* at 23, Ordering Paragraph 2.

<sup>20</sup> See *id.* at Ordering Paragraph 2.

<sup>21</sup> *Id.* at 46.

The IOUs should not be required to submit contracts with OTC units for approval at the same time as the contracts to meet their incremental system RA capacity procurement requirements. The IOUs may have system, local, or flexible RA needs that could be satisfied by contracting with OTC units at various times to meet their year-ahead and monthly RA compliance showings, both before they complete their solicitations to meet their incremental procurement requirements and after the contracts resulting from those solicitations are already submitted for Commission approval. There is no reason to restrict the time periods when IOUs can contract with OTC units by requiring the OTC unit contracts to be submitted for approval along with the contracts to meet the incremental procurement requirements. The duration of any IOU contracting with OTC units with extended compliance deadlines is already limited to the duration of the RPD's recommended compliance deadline extensions.

Moreover, the IOUs should not be required to submit any contracts with OTC units covered by the RPD for approval via Tier 3 advice letters. SCE does not object to a Tier 3 advice letter approval process for contracts procured to meet the incremental system RA capacity procurement requirements. But any contracting with the extended OTC units to meet IOUs' RA requirements would be for shorter terms and would need a quicker approval timeline to be a useful option. Approval of contracts by Tier 3 advice letter can take six months to over a year. That type of approval timeline for any RA contracts with OTC units would likely mean that the IOUs would be unable to use such contracts to meet RA compliance requirements. Accordingly, SCE recommends that the RPD be modified to allow the IOUs to obtain approval of contracts with OTC units covered by the RPD's recommended compliance deadline extensions under their existing Assembly Bill 57 Bundled Procurement Plan authority, provided the other requirements in the RPD and all other Bundled Procurement Plan requirements are met.

Further, the RPD includes an inconsistency regarding the waiver of D.12-04-046's restrictions on IOUs contracting with OTC units. Based on the body of the RPD,<sup>22</sup> Conclusion of Law 6, and Ordering Paragraph 2, the waiver applies to all OTC units where the RPD is recommending compliance deadline extensions. However, Conclusion of Law 16 suggests the waiver only applies to the Alamitos, Huntington Beach, and Moss Landing power plants. It appears that the Commission intends to waive D.12-04-046's restrictions on IOU contracting

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<sup>22</sup> See *id.* at 23.

for all of the OTC units covered by the RPD's recommended compliance deadline extensions; therefore, SCE requests that the Commission modify Conclusion of Law 16 to remove this inconsistency.

## V.

### **THE COMMISSION SHOULD MODIFY THE RPD'S ONLINE DATE SCHEDULE**

As explained in Section III.A, it will be very difficult to bring new system RA capacity online by August 1, 2021. The RPD recognizes this challenge, but still requires 60% of the required procurement to be online by August 1, 2021, 80% to be online by August 1, 2022, and 100% to be online by August 1, 2023.<sup>23</sup> SCE previously proposed that this online date schedule be modified to 20%, 60%, and 100% online by August 1, 2021, 2022, and 2023, respectively.<sup>24</sup> In light of the changes in the RPD's recommended OTC compliance deadline extensions, SCE recommends that 50% of the required procurement be online by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023.

In addition, for IFOM projects, obtaining full capacity deliverability status and a net qualifying capacity ("NQC")/effective flexible capacity ("EFC") can be a lengthy process. Although these are required for RA status, it is possible that a resource can be operational and provide reliability benefits without them. In SCE's Aliso Canyon Energy Storage 1 solicitation, SCE recognized that given the expedited timeframe it may have been impossible for a project to obtain full RA status by the need date. As such, SCE created a contract to allow for reliability benefits to be provided without actually providing RA. In this agreement, for the time period prior to receiving an NQC/EFC, the project is required to submit bids into the CAISO market consistent with RA must offer obligations. Capacity payments are then prorated based on whether or not the facility followed these requirements. In this respect, the obligations are similar to the RA program, in that the facility needs only to make itself available to the market, and specific dispatching was handled by market mechanisms. Although all projects counted towards the procurement requirement should ultimately be required to provide system RA, the Commission should allow this type of approach as an interim mechanism until projects can qualify for RA counting given the aggressiveness of an August 1, 2021 online date.

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<sup>23</sup> See *id.* at 45, Ordering Paragraph 3.

<sup>24</sup> See *Opening Comments of Southern California Edison Company (U 338-E) On Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023*, R.16-02-007, at 11-12.

## VI.

### **THE COMMISSION SHOULD EXPEDITE A DECISION ON A RA COUNTING METHODOLOGY FOR IFOM HYBRID RESOURCES IN THE RA PROCEEDING**

The RPD refers to the Joint Motion filed in this proceeding and the RA proceeding seeking a determination on the capacity value of hybrid resources, and notes that the Commission will take up the motion in the RA proceeding.<sup>25</sup> SCE generally agrees with the Joint Motion that a methodology for determining the qualifying capacity (“QC”) value for IFOM hybrid resources (i.e., those utilizing a generating technology paired with battery storage) should be developed as soon as practical to acknowledge the contribution of such resources to the reliability of the grid. Without proper identification of the reliability value of such resources to meet RA needs, LSEs will be left to speculate as to the future RA value of these resources when conducting the procurement required by the RPD or pass up the technology due to the uncertainty of its RA value in comparison to other resources. SCE supports expedited development of the record in the RA proceeding, R.17-09-020, to inform the Commission as to the appropriate QC value for IFOM hybrid resources, with a decision being made as soon as practical so that procurement required in the RPD can be conducted in an informed manner. If the Commission cannot establish a methodology for RA counting of IFOM hybrid resources in the RA proceeding by the end of the year, it would be appropriate to establish an interim methodology for counting IFOM hybrid resources towards the IRP incremental system RA capacity procurement requirements.

## VII.

### **THE COMMISSION SHOULD CLARIFY THE INCREMENTALITY OF THE SUTTER POWER PLANT**

The RPD clarifies that the Sutter Power Plant is not part of the baseline resource assumptions used to determine the incrementality of LSEs’ incremental system RA capacity procurement requirements.<sup>26</sup> However, the RPD also states that imports are included in the baseline at the MIC level.<sup>27</sup> SCE understands that the Sutter Power Plant would be considered

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<sup>25</sup> See RPD at 59.

<sup>26</sup> See *id.* at Ordering Paragraph 6.

<sup>27</sup> See *id.* at 31-32.

incremental for the purposes of the RPD's required incremental system RA capacity procurement and would not be considered an import, but requests that the Commission make that explicit in the final decision.

## VIII.

### CONCLUSION

For all the foregoing reasons, the Commission should adopt the RPD with SCE's recommended modifications discussed herein and in Appendix A.

Respectfully submitted,

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**Appendix A**

**Proposed Changes to the Findings of Fact, Conclusions of Law,  
and Ordering Paragraphs of the RPD**

**SCE’s Proposed Changes to the Findings of Fact (“FOF”), Conclusions of Law (“COL”),  
and Ordering Paragraphs (“OP”) of the RPD**

Proposed text deletions are in ~~bold and strikethrough~~

Proposed text additions are in **bold and underlined**

Reference	Proposed Modifications
COL 9	It is reasonable for the Commission to require 4,000 MW of incremental system resource adequacy resources to be procured, with at least <del>5060</del> percent online by August 1, 2021, <del>7580</del> percent by August 1, 2022, and 100 percent by August 1, 2023. <b><u>On an interim basis for the August 1, 2021 requirement, the Commission will consider resources that do not yet count for resource adequacy but are online and required to submit bids in the California Independent System Operator markets consistent with the resource adequacy must offer obligations to be online for the purposes of this requirement.</u></b>
COL 16	The Commission should waive the requirement from D.12-04-046 that bars utilities from signing power purchase agreements with OTC resources where the term of the agreement goes beyond the OTC deadline for the specific resource, even if the deadline is later extended, for the <del>Alamitos, Huntington Beach, and Moss Landing</del> power plants identified as needed for OTC extensions in this decision.
COL 26	The Commission should require that the incremental system resource adequacy and renewable integration resources required to be procured by this decision come online at least <del>5060</del> percent by August 1, 2021, <del>7580</del> percent by August 1, 2022, and 100 percent by August 1, 2023. <b><u>On an interim basis for the August 1, 2021 requirement, the Commission will consider resources that do not</u></b>

	<b><u>yet count for resource adequacy but are online and required to submit bids in the California Independent System Operator markets consistent with the resource adequacy must offer obligations to be online for the purposes of this requirement.</u></b>
COL 31	The Commission should create an exception to the existing bundled procurement rules for IOUs and should require each IOU to submit a Tier 3 advice letter, or more than one, no later than January 1, 2021, to propose Commission approval for any procurement conducted to satisfy the requirements of this decision, <b><u>except that IOU contracts with OTC units that meet the requirements of this decision and other bundled procurement rules may be pre-approved via the bundled procurement rules and a Tier 3 advice letter is not required.</u></b>
COL 32	All LSEs with procurement obligations under this decision should be required to provide an informational progress report on their activities by no later than February 15, 2020, <b><u>and should be required to execute any contracts to satisfy the procurement obligations established in Ordering Paragraph 3 by no later than January 1, 2021.</u></b>
OP 2	The provisions of Decision 12-04-046 that bar utilities from signing power purchase agreements with units utilizing once-through cooling technologies where the term of the agreement extends beyond the compliance deadlines, even if the deadlines are later extended, are waived for purposes of the power plants listed in Ordering Paragraph 1 above. Any contracts with plants listed in Ordering Paragraph 1 above shall be for a duration of no more than the time period specified. Any contracts <b><u>executed by any load-serving entity</u></b> with plants listed in Ordering Paragraph 1 are in addition to and do not count toward the obligations required by Ordering Paragraph 3 of this

	<p>decision. <b><u>Any utility contracts with plants listed in Ordering Paragraph 1 that meet the requirements of this decision and other bundled procurement rules may be pre-approved via the bundled procurement rules and a Tier 3 advice letter is not required.</u></b></p>
OP 3	<p>The following load-serving entities shall procure at least the amount of capacity in megawatts (MW) qualifying as system resource adequacy and for purposes of renewable integration as defined in Public Utilities Code Section 454.51, with at least <del>50</del>60 percent delivered by August 1, 2021, <del>75</del>80 percent by August 1, 2022, and 100 percent by August 1, 2023: ...</p>
OP 5.a	<p><b>Note: This modification assumes the Commission intends electric service providers to have the option not to self-provide. If that is not the case, the references to electric service providers can be eliminated.</b></p> <p>The system resource adequacy procurement allocated to community choice aggregators (CCAs) <b><u>and electric service providers (ESPs)</u></b> in Ordering Paragraph 3 of this decision shall be considered their opportunity to self-provide renewable integration resources as described in Section 454.51(d) of the Public Utilities Code. If a CCA <b><u>or ESP</u></b> chooses not to <del>or does not</del> procure the amount required by Ordering Paragraph 3 of this decision, the CCA <b><u>or ESP</u></b> shall notify the Commission <b><u>and investor-owned utilities</u></b> by <del>January 10</del><b>May 1</b>, 2020<del>and include this information in its individual integrated resource plan.</del> <b><u>The CCA or ESP must either elect to procure the entire amount required by Ordering Paragraph 3 of the decision or elect not to procure the entire amount required by Ordering Paragraph 3 of the decision.</u></b> The Commission will then require the relevant investor-owned utility <b><u>in whose service territory the CCA</u></b></p>

	<p><u>or ESP is located</u> to procure on behalf of the CCA <u>or ESP</u> and have the costs of any such procurement allocated to the customers of the CCA <u>or ESP</u> on a non-bypassable basis. <u>The Commission shall initiate a stakeholder process to develop such a cost allocation mechanism, including workshops where parties can submit cost allocation proposals. The relevant investor-owned utility's procurement costs should be proportionally allocated on a portfolio basis to the investor-owned utility's bundled service customers and the customers of any CCA or ESP in its service territory that elected to have the investor-owned utility procure on their behalf.</u></p>
<u>OP 5.b</u>	<p><u>If a community choice aggregator (CCA) or electric service provider (ESP) who elects to procure the amount required by Ordering Paragraph 3 of the decision does not procure the entire amount, the Commission shall initiate a stakeholder process to establish a backstop procurement and enforcement process for the CCAs and/or ESPs who failed to perform. The Commission will establish a process to require the relevant investor-owned utilit(ies) in whose service territor(ies) the CCA(s) and/or ESP(s) are located to procure on behalf of the CCA(s) and/or ESP(s) and have the costs of any such procurement allocated to the customers of the CCA(s) and/or ESP(s) on a non-bypassable basis. In this case, the relevant investor-owned utilit(ies)' procurement costs will not be proportionally allocated on a portfolio basis to the investor-owned utilit(ies)' bundled service customers and the customers of any CCA and/or ESP in its service territory that failed to perform.</u></p>
OP 6	<p>All resources utilized by all load serving entities (LSEs) to satisfy the requirements of Ordering Paragraph 3 of this decision shall be shown to be incremental to the baseline resource assumptions identified for</p>

	<p>2022 in the analysis that led to the adoption of the Preferred System Plan adopted by the Commission in Decision (D.) 19-04-040, as adjusted to remove the Sutter Power Plant and Inland Empire Energy Center, add Moss Landing, and detail specific storage resources with projected online dates prior to the end of 2022. <b><u>The Sutter Power Plant shall not be considered an import that is included within the Maximum Import Capability included in the baseline.</u></b></p> <p>Commission staff shall post the final baseline list to the Commission’s web site no later than December 1, 2019.</p> <p>Incrementality of demand-side resources shall be demonstrated by using the principles adopted by the Commission in D.16-12-036 as a starting point. All LSEs shall also demonstrate their compliance with Public Utilities Code Section 454.52(a)(1)(H).</p>
OP 11	<p>All load-serving entities named in Ordering Paragraph 3 and by Commission staff as discussed in Ordering Paragraph 4 of this decision shall present a progress report summarizing their activities and efforts to date to comply with this decision as a “compliance filing” filed and served in this proceeding, or its successor, by no later than February 15, 2020, <b><u>and shall execute any contracts to meet the procurement obligations in Ordering Paragraph 3 of this decision by no later than January 1, 2021.</u></b></p>